



REDEVELOPMENT AGENCY

AGENDA REPORT

AGENDA DATE 11-24-98

AGENDA ITEM 7

WORK SESSION ITEM _____

To: Redevelopment Agency

From: Executive Director

Subject: **RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR 1) TO EXECUTE AN AGREEMENT WITH PACIFIC REALTY HOLDINGS INC. TO PROVIDE PROPERTY MANAGEMENT AND LEASING SERVICES FOR THE NEW RETAIL ON B STREET BETWEEN WATKINS AND MISSION BOULEVARD, AND 2) TO EXECUTE ANY AND ALL TENANT LEASE AGREEMENTS FOR THE SUBJECT RETAIL SPACE**

Recommendation:

It is recommended that the Redevelopment Agency adopt the attached resolution authorizing the Executive Director to:

1. negotiate and execute an agreement with Pacific Realty Holdings Inc. to provide property management and leasing services; and
2. execute tenant lease agreements for the retail space.

Background/Discussion :

The Agency is currently constructing approximately 13,000 Square Feet (S.F.) of retail space in conjunction with the new mix-use parking facility on B Street between Watkins and Mission Boulevard. The space is scheduled for completion by the end of the year. The Agency will own the retail space and will have responsibility for leasing and managing the space. Given that the space will be available for leasing with the beginning of the new year; and, because the Agency does not have the expertise in-house to market, lease and manage the retail space, staff has looked outside the Agency for firms with expertise in these areas.

Staff has interviewed six (6) firms that provide leasing and/or property management services. Of the firms interviewed, staff has determined that Pacific Realty Holding Inc. (PRH) would provide combined leasing and property management at the most favorable rates to the Agency.

PRH provides property management and leasing services throughout the state of California. PRH currently has responsibility for a combined property management and

leasing portfolio in northern California in excess of 3.6 million S.F. of shopping center, office, commercial and mixed-use space. Staff has checked the references for the firm and visited a few of the sites managed by the firm and have identified no areas of concern.

PRH will provide both the property management and leasing services for the space. Customarily, the fee for property management is based on the amount of space leased. The property management is an ongoing cost and is considered as part monthly expenditures of the project. The leasing services (or commissions) are typically an initial cost, generally in the 1st year, for the marketing and lease negotiations in obtaining the tenants. Based on the fee proposals submitted by PRH and the other firms, the PRH proposal for combined property management and leasing services (assuming five year leases) would be approximately \$76,400 in the 1st year. The other firms would require separate contracting for property management; therefore, based on the standard leasing commission structure (also, assuming five-year leases) and separate property management fees, the combined cost in the 1st year would range between \$97,500 and \$122,500.

It should be noted that on November 17, 1998, Council authorized an inter-fund loan from the Water Fund to the Redevelopment Agency. The funds necessary to implement the retail development, including leasing commissions and tenant improvements, are included in the loan. With respect to the ongoing property management costs, staff has determined that these costs can be borne by the development. PRH has indicated that it believes it can identify credit-worthy tenants that would pay a minimum of \$1.00 per S.F. for the space, which is anticipated to generate sufficient revenue to pay the property management expenses.

The Agency is also requested to provide the Executive Director authority to execute any and all individual tenant leases for the retail space. Providing the Executive Director authority to execute the individual tenant leases will facilitate the leasing activity and enhance our ability to respond to the market. As well, the leasing agent (assuming PRH) will be instructed to obtain market rate tenants for the space that would be consistent with the retail/commercial uses contemplated for B Street and that will further the Agency's efforts to create a pedestrian friendly and vibrant Downtown.

Prepared and Recommended by:


Gordon R. Anderson
Assistant City Manager

Approved by:


Jesús Armas
Executive Director

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA _____

Introduced by Agency Member _____

RESOLUTION AUTHORIZING THE EXECUTIVE
DIRECTOR TO NEGOTIATE AND EXECUTE AN
AGREEMENT TO PROVIDE PROPERTY MANAGEMENT
SERVICES AND TENANT LEASE AGREEMENTS FOR THE
RETAIL SPACE AT B AND WATKINS STREETS

WHEREAS, the retail space at the new mix-use parking facility consists of approximately 13,000 square feet and is scheduled for completion by the end of the year; and

WHEREAS, staff interviewed six firms which provided responses to the Request for Proposals (RFP) which were circulated in June 1998, and has determined that Pacific Realty Holding Inc. would provide property management and leasing services at favorable rates.

NOW THEREFORE, BE IT RESOLVED, by the Redevelopment Agency of the City of Hayward that the Executive Director is hereby authorized and directed to negotiate and execute an agreement on behalf of the City of Hayward with Pacific Realty Holdings Inc., for property management and leasing services for the Agency owned retail space located at "B" and Watkins Streets.

BE IT FURTHER RESOLVED, by the Redevelopment Agency of the City of Hayward that the Executive Director is authorized and directed to negotiate and execute any and all tenant lease agreements for the retail space located at "B" and Watkins Streets.

HAYWARD, CALIFORNIA _____, 1998

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
Secretary to the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel